

**OSCEOLA COUNTY ECONOMIC
DEVELOPMENT COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2008

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OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

OFFICIALS/MEMBERS

Fiscal Year Ending June 30, 2008

July 1, 2007 to January 14, 2008

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Kevin Espey	Chairman	City of Ocheyedan
Lila Hatting	Vice-Chairperson	City of Sibley
Brian Mino	Treasurer	City of Ashton
Jack Benz	Board of Director	City of Melvin
Jeff Loring	Board of Director	City of Harris
Daryl Streng	Board of Director	Osceola County
Kirk Grau	Executive Director	
Peggy Steinmetz	Administrative Assistant	

January 15, 2008 to June 30, 2008

Lila Hatting	Chairperson	City of Sibley
Kevin Hertz	Board of Director/Vice-Chairman	City of Ocheyedan
Brian Mino	Treasurer	City of Ashton
Jeff Loring	Board of Director	City of Harris
Jack Benz	Board of Director	City of Melvin
Daryl Streng	Board of Director	Osceola County
Kirk Grau	Executive Director	
Peggy Steinmetz	Administrative Assistant	

DE NOBLE & COMPANY PC

Certified Public Accountants

MEMBERS

111 S. Story Street
Rock Rapids, IA 51246

American Institute - Certified Public Accountants
Private Companies Practice Section
Iowa Society - Certified Public Accountants

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Independent Auditor's Report

To the Officials/Members of the Osceola County Economic Development Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Osceola County Economic Development Commission, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Commission's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Osceola County Economic Development Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Osceola County Economic Development Commission at June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2009 on our consideration of the Osceola County Economic Development Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 27 through 29 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the

methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Osceola County Economic Development Commission's basic financial statements. Other supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De Noble & Company PC

De Noble & Company PC
Certified Public Accountants

June 12, 2009

**Osceola County Economic Development Commission
Management's Discussion & Analysis**

Osceola County Economic Development Commission (OCEDC) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the OCEDC's financial statements, which follow.

2008 Financial Highlights

- Revenues of the OCEDC's governmental activities decreased 5.4%, or \$6,833, from fiscal year 2007 to fiscal year 2008. Operating grants, contributions, and restricted interest decreased \$3,262 and unrestricted investment earnings decreased \$2,191.
- Program expenses of the OCEDC's governmental activities decreased 31.8%, or \$49,814, from fiscal year 2007 to fiscal year 2008. Loan program expenses decreased \$57,168.
- The OCEDC's net assets increased 1.7%, or \$12,789, from fiscal year 2007 to fiscal year 2008.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the OCEDC's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the OCEDC as a whole and present an overall view of the OCEDC's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the OCEDC's operations in more detail than the government-wide statements by providing information about the funds. The remaining statements provide financial information about activities for which the OCEDC acts solely as an agent or custodian for the benefit of those outside of the OCEDC (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the OCEDC's General Fund budget for the year.
- Other Supplementary Information provides detailed information about the individual Agency Funds.

Reporting the OCEDC's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the OCEDC's finances is "Is the OCEDC as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the OCEDC's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the OCEDC's net assets may serve as a useful indicator of whether the financial position of the OCEDC is improving or deteriorating.

The Statement of Activities presents information showing how the OCEDC's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The OCEDC's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include loan programs and administration and general. Member assessments and investment earnings finance most of these activities. The OCEDC has no business type activities.

Fund Financial Statements

The OCEDC has two kinds of funds:

- 1) Governmental Funds account for the OCEDC's basic services. These focus on how money flows into and out of these funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the OCEDC's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the OCEDC's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the OCEDC's own programs. These fiduciary funds include Agency Funds that account for the City of Sibley Revolving Loan program, the Chatroom, the Community Foundation of Osceola County and the Hawkeye Point Foundation.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental activities from a year ago.

Net Assets of Governmental Activities

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current Assets	\$ 243,334	\$ 256,060
Notes Receivable	520,009	490,118
Capital Assets	2,453	3,393
Total Assets	<u>765,796</u>	<u>749,571</u>
Other Liabilities	<u>16,116</u>	<u>12,680</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,453	3,393
Restricted for Revolving Loan Purposes	742,179	668,078
Restricted for Spec Property Loan Purposes	16,981	16,922
Unrestricted	<u>(11,933)</u>	<u>48,498</u>
Total Net Assets	<u>\$ 749,680</u>	<u>\$ 736,891</u>

The net assets of the OCEDC increased by \$12,789. The largest portion of the OCEDC's net assets is restricted for revolving loan purposes. Restricted net assets represent resources that are subject to external restrictions on how they can be used. Net assets restricted for revolving loan purposes increased \$74,101 or 11.1% during the fiscal year ended June 30, 2008. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements – decreased \$60,431 or 124.6% during the fiscal year ended June 30, 2008.

The reduction in the unrestricted net assets and the increase in restricted net assets for revolving loan purposes was primarily a result of the Board approving the transfer of \$56,638 in certificates of deposit from unrestricted net assets to net assets restricted for revolving loan purposes.

Changes in Net Assets of Governmental Activities

	<u>Year Ended June 30, 2008</u>	<u>Year Ended June 30, 2007</u>
Program Revenues:		
Charges for Service	\$ 1,554	\$ 1,369
Operating Grants, Contributions, and Restricted Interest	92,238	95,500
Capital Grants, Contributions, and Restricted Interest	460	2,025

General Revenues:		
Grants and Contributions Not Restricted to Specific Purposes	500	500
Unrestricted Investment Earnings	24,751	26,942
Total Revenues	<u>119,503</u>	<u>126,336</u>
Program Expenses:		
Loan Programs	1,000	58,168
Administration and General	105,714	98,360
Total Expenses	<u>106,714</u>	<u>156,528</u>
Excess of Revenues Over Expenditures	12,789	(30,192)
Net Assets Beginning of Year, As Restated	<u>736,891</u>	<u>767,083</u>
Net Assets End of Year	<u>\$ 749,680</u>	<u>\$ 736,891</u>

Governmental activities revenues decreased \$6,833 during the fiscal year ended June 30, 2008.

Governmental activities expenses this fiscal year were \$106,714 compared to \$156,528 last year. Loan program expenses decreased \$57,168 during the fiscal year ended June 30, 2008.

Individual Major Fund Analysis

As the OCEDC completed the year, the governmental funds reported a combined fund balance of \$752,766, an increase of \$16,153 above last year's total of \$736,613. The following are major reasons for the changes in individual fund balances during the fiscal year ended June 30, 2008.

- General Fund revenues remained consistent when compared to the prior year. Expenditures increased \$8,187. The primary reason was an increase in professional fees in fiscal year 2008. The ending fund balance showed a decline of \$59,934 from the prior year amount of \$54,084 to \$(5,850). This was due mainly to a transfer of \$56,638 of certificates of deposits to the Revolving Loan Fund from the General Fund.
- The Revolving Loan Fund showed an increase in fund balance in fiscal year 2008 of \$76,025, from \$665,607 to \$741,635. Revolving Loan Fund revenues remained consistent when compared to the prior year. Expenditures decreased \$57,168, primarily due to a loss on an uncollectible note receivable of \$54,453 in fiscal year 2007. The Revolving Loan Fund also received net operating transfers in of \$49,045 during the fiscal year ended June 30, 2008.
- The Spec Property Loan Fund showed an increase in fund balance in fiscal year 2008 of \$59, which represents interest income earned on bank balances. There were no other transactions during the fiscal year ended June 30, 2008 in this fund.

Budgetary Highlights

The OCEDC's Board annually adopts a budget for the General Fund on the modified accrual basis. The budget may be amended during the fiscal year with Board approval. During the fiscal year, there were no

amendments to the General Fund budget. During the fiscal year ended June 30, 2008, actual revenue came in below the amount budgeted by \$9,905 and actual expenditures came in below the amount budgeted by \$3,603.

Capital Assets

At June 30, 2008, the OCEDC had \$10,774 invested in capital assets. This is an increase of \$140 over last year.

	June 30, 2008	June 30, 2007
Furniture and Fixtures	\$ 4,015	\$ 4,015
Computer Equipment	6,094	6,094
Other Equipment	665	525
Total	\$ 10,774	\$ 10,634

This year's addition included:

Com Bind binder	\$ 460
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The OCEDC had depreciation expense of \$1,336 in fiscal year 2008 and total accumulated depreciation of \$8,321 at June 30, 2008. The OCEDC disposed of an Image Maker binder during the fiscal year ended June 30, 2008.

Long-Term Debt

The OCEDC had no outstanding notes or bonds as of June 30, 2008. The only long-term debt transaction during the fiscal year ended June 30, 2008 was for compensated absences. Additional information about the OCEDC's compensated absences payable is presented in Note 8 to the financial statements.

Economic Factors

The OCEDC is dependent on the economic health of the Osceola County, Iowa businesses that have been loaned money (the ability of these businesses to make payments on their notes).

Contacting the OCEDC's Financial Management

This financial report is designed to provide the citizens of Osceola County, borrowers, and creditors with a general overview of the OCEDC's finances and to show the OCEDC's accountability for the money it receives. If you have any questions about this report or need additional information, contact Kirk Grau at 300 7th Street, Sibley, Iowa 51249 (phone number: 712-754-2523).

Osceola County Economic Development Commission
Basic Financial Statements

Osceola County Economic Development Commission
Statement of Net Assets
June 30, 2008

	Governmental Activities
Assets	
Cash	\$ 57,919
Certificates of Deposit	182,889
Due from Agency Fund	195
Prepaid Expenses	738
Interest Receivable	1,593
Notes Receivable – Agency Fund (Related Party)	20,165
Notes Receivable – Related Parties	148,182
Notes Receivable (Net of Allowance for Doubtful Accounts)	351,662
Capital Assets (Net of Accumulated Depreciation)	2,453
Total Assets	765,796
Liabilities	
Accounts Payable	3,736
Payroll and Benefits Payable	3,845
Deferred Revenue	252
Due to Agency Fund	2,200
Compensated Absences	6,083
Total Liabilities	16,116
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,453
Restricted for:	
Revolving Loan Purposes	742,179
Spec Property Loan Purposes	16,981
Unrestricted	(11,933)
Total Net Assets	\$ 749,680

See Notes to Financial Statements.

**Osceola County Economic Development Commission
Statement of Activities
Year Ended June 30, 2008**

	Program Revenues				Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental Activities:					
Loan Programs	\$ 1,000	1,554	0	0	554
Administration & General	105,714	0	92,238	460	(13,016)
Total	\$ 106,714	1,554	92,238	460	(12,462)
General Revenues:					
Grants and Contributions Not Restricted to Specific Purpose					500
Unrestricted Investment Earnings					24,751
Total General Revenues					25,251
Change in Net Assets					12,789
Net Assets Beginning of Year					736,891
Net Assets End of Year					\$ 749,680

See Notes to Financial Statements.

Osceola County Economic Development Commission
Balance Sheet
Governmental Funds
June 30, 2008

	Special Revenue			
	General	Revolving	Spec	
	Fund	Loan Fund	Property	Total
			Loan Fund	
Assets				
Cash	\$ 2,688	49,302	5,929	57,919
Certificates of Deposit	0	182,889	0	182,889
Due from General Fund	0	1,443	0	1,443
Due from Agency Fund	0	195	0	195
Prepaid Expenditures	738	0	0	738
Interest Receivable	0	1,593	0	1,593
Notes Receivable – Agency Fund (Related Party)	0	20,165	0	20,165
Notes Receivable – Related Parties	0	138,982	9,200	148,182
Notes Receivable (Net of Allowance for Doubtful Accounts)	0	349,810	1,852	351,662
Total Assets	\$ 3,426	744,379	16,981	764,786
Liabilities				
Accounts Payable	\$ 3,736	0	0	3,736
Payroll and Benefits Payable	3,845	0	0	3,845
Due to Revolving Loan Fund	1,443	0	0	1,443
Due to Agency Fund	0	2,200	0	2,200
Deferred Revenue	252	544	0	796
Total Liabilities	9,276	2,744	0	12,020
Fund Balances				
Reserved for Notes Receivable	0	496,948	10,818	507,766
Unreserved, reported in:				
General Fund	(5,850)	0	0	(5,850)
Special Revenue Funds	0	244,687	6,163	250,850
Total Fund Balances	(5,850)	741,635	16,981	752,766
Total Liabilities and Fund Balances	\$ 3,426	744,379	16,981	764,786

See Notes to Financial Statements.

**Osceola County Economic Development Commission
Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets
June 30, 2008**

Total Governmental Fund Balances (page 12)	\$ 752,766
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$10,774 and the accumulated depreciation is \$8,321.	2,453
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Other long-term assets that produce revenues are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	544
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Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(6,083)
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Net Assets of Governmental Activities (page 10)	\$ 749,680
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Osceola County Economic Development Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	General	Special Revenue		
	Fund	Revolving	Spec Property	Total
		Loan Fund	Loan Fund	
Revenues:				
Contributions from Public Entity				
Members (Related Parties)	\$ 92,238	0	0	92,238
Grants and Contributions	960	0	0	960
Interest Income - Banks	190	9,349	59	9,598
Interest Income - Notes	0	17,080	0	17,080
Loan Application and Documentation Fees	0	1,554	0	1,554
Total Revenues	93,388	27,983	59	121,430
Expenditures:				
Salaries	68,207	0	0	68,207
IPERS	4,139	0	0	4,139
Payroll Taxes	5,277	0	0	5,277
Employee Benefits	11,768	0	0	11,768
Workman's Compensation	643	0	0	643
Auto Allowance	2,400	0	0	2,400
Bond Insurance	433	0	0	433
Loan Fees and Expenses	0	1,000	0	1,000
Miscellaneous	8	0	0	8
Newspaper Publishings	305	0	0	305
Office Expense	1,038	0	0	1,038
Postage	317	0	0	317
Professional Fees	7,005	0	0	7,005
Publications/Professional Dues	157	0	0	157
Special Projects	21	0	0	21
Tech and Website Management	852	0	0	852
Telephone	1,599	0	0	1,599
Travel and Meals	108	0	0	108
Total Expenditures	104,277	1,000	0	105,277
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(10,889)	26,983	59	16,153

See Notes to Financial Statements.

Osceola County Economic Development Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	General	Special Revenue		
	Fund	Revolving	Spec Property	Total
		Loan Fund	Loan Fund	
Other Financing Sources (Uses):				
Operating Transfers In	7,593	(7,593)	0	0
Operating Transfers Out	(56,638)	56,638	0	0
Total Other Financing Sources (Uses)	(49,045)	49,045	0	0
Net Change in Fund Balances	(59,934)	76,028	59	16,153
Fund Balances – Beginning of Year	54,084	665,607	16,922	736,613
Fund Balances – End of Year	\$ (5,850)	741,635	16,981	752,766

See Notes to Financial Statements.

**Osceola County Economic Development Commission
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities
Year Ended June 30, 2008**

Net Change in Fund Balances – Total Governmental Funds (pages 14 – 15) **\$ 16,153**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	460		
Depreciation expense	(1,336)	(876)

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report any proceeds from the disposition as an increase in financial resources. (64)

Because some revenues will not be collected for several months after the Commission's year end, they are not considered available revenues and are deferred in the governmental funds. The resulting timing difference is as follows:

Note receivable interest	(1,892)		
Bank interest	(35)	(1,927)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences		(497)
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Change in Net Assets of Governmental Activities (page 11) **\$ 12,789**

Osceola County Economic Development Commission
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

	City of Sibley Revolving Loan	ChatRoom	Community Foundation of Osceola County	Hawkeye Point Foundation	Total
Assets					
Cash	\$ 27,214	6,217	18,080	3,655	55,166
Certificates of Deposit	50,000	0	0	0	50,000
Interest Receivable	100	0	0	0	100
Due from Primary Government	0	0	2,200	0	2,200
Notes Receivable	166,843	0	0	0	166,843
Total Assets	244,157	6,217	20,280	3,655	274,309
Liabilities					
Due to Primary Government	195	0	0	0	195
Note Payable – Primary Government	20,165	0	0	0	20,165
Due to Other Governments	223,797	0	0	0	223,797
Trusts Payable	0	6,217	20,280	3,655	30,152
Total Liabilities	244,157	6,217	20,280	3,655	274,309
Net Assets	\$ 0	0	0	0	0

See Notes to Financial Statements.

Osceola County Economic Development Commission
Notes to Financial Statements
June 30, 2008

1) Summary of Significant Accounting Policies

The Osceola County Economic Development Commission (OCEDC) was formed July 1, 1988, under an intergovernmental agreement pursuant to the Chapter 28E of the Code of Iowa as a separate entity for legal purposes. This agreement was made by and among the County of Osceola, Iowa, and the Cities of Ashton, Harris, Melvin, Ocheyedon, and Sibley, Iowa.

The governmental commission consists of a representative appointed by the Osceola County Board of Supervisors, and one representative appointed by each City Council of the following cities: Ashton, Harris, Melvin, Ocheyedon, and Sibley. Each representative has one vote.

Under the 28E agreement, each member shall be assessed annually and agrees to pay a share of the expenses of the operation of the OCEDC. These member contributions are a critical financial source for the OCEDC. During the fiscal year ended June 30, 2008, the total contributions from public entity members were as follows:

Osceola County	\$ 46,800
City of Ashton	2,521
City of Harris	618
City of Melvin	1,406
City of Ocheyedon	2,893
City of Sibley	38,000
	<hr/>
	\$ 92,238

The OCEDC's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the OCEDC has included all funds, organizations, agencies, boards, commissions, and authorities. The OCEDC has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the OCEDC are such that exclusion would cause the OCEDC's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the OCEDC to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the OCEDC. Criteria also can include an organization's fiscal dependency on the OCEDC or if it would be significantly misleading to exclude an organization because of its relationship with the OCEDC. The OCEDC has no component units which meet the Governmental Accounting Standards Board criteria in order to be included in OCEDC's reporting entity.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all the nonfiduciary activities of the OCEDC. For the most part, the effect of interfund activity has been removed from these statements. OCEDC activities are supported by member contributions, interest received on loans from ultimate recipients, investment interest, loan application and documentation fees, and donations/grants.

The Statement of Net Assets presents the OCEDC's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The OCEDC reports the following major governmental funds:

The General Fund is the general operating fund of the OCEDC. All contributions agreed to by the different entities within the intergovernmental agreement and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures and fixed charges not paid from other funds.

Special Revenue:

The Revolving Loan Fund is used to provide financial assistance to attract, retain, or expand business that would generate public gains and benefits within Osceola County. These funds are loaned out to businesses with a pay back period of not more than ten years. All interest earned stays within the fund.

The Spec Property Loan Fund is used to provide financial assistance to development corporations for new construction, purchase of existing commercial/retail property, acquisitions of land, and/or demolition or renovation of spec property within the Cities of Ashton, Harris, Melvin, Ocheyedan, and Sibley, Iowa. These funds are targeted toward properties which potentially generate public gains and benefits. Funds can be used for a 0% or low-interest loan which would be paid back to the pool when the property is sold. All interest earned stays in the fund.

Additionally, the OCEDC reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the OCEDC as an agent for non-profit organizations and other governmental units.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions from public entity members are recognized as revenue in the year for which the amount is assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the OCEDC considers revenues to be available if they are collected within 60 days after year end.

To properly account for the notes receivable, the notes receivable are also shown on the OCEDC's Balance Sheet (Governmental Funds), even though some of the notes receivable balance is not considered to be a current asset. Although all the notes receivable balance is measurable, some of the notes receivable balance is not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (within sixty days after the end of the fiscal year). The account, fund balances - reserved for notes receivable, represents the amount of the notes receivable and the resulting fund balance that is not available within the current period or soon enough thereafter to be used to pay liabilities of the current period (see Note 5 for notes receivable amounts).

Intergovernmental revenues (contributions from public entity members, grants, and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the OCEDC.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, as applicable, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset

acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources, as applicable.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Certificates of Deposit – The OCEDC has its cash invested in interest bearing bank accounts and certificates of deposit located in banking institutions within Osceola County. The OCEDC also earns interest from direct notes receivable (See Note 5). The interest earned on the cash accounts, certificates of deposit and notes receivable is recorded and maintained in the appropriate funds.

Due from General Fund, Due from/to Agency Fund, Due to Revolving Loan Fund and Due from/to Primary Government – During the course of its operations, the OCEDC had transactions between the OCEDC's governmental funds and the agency funds, and had made deposits into or made payments out of the incorrect fund. To the extent that the deposits between bank accounts and certain transactions between the OCEDC's governmental funds and agency funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the financial statements.

Prepaid Expenses/Expenditures – Prepaid expenses are recorded as expense/expenditure when utilized rather than when paid.

Capital Assets – Capital assets, which include equipment, are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The OCEDC does not have a Board approved capitalization policy due to the minor amount of capital assets maintained by the OCEDC. Capital assets of the OCEDC are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives</u>
Computer Equipment	5 years
Furniture and Fixtures	10 years
Other Equipment	10 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of accrued interest receivable not collected within sixty days after year end and fiscal year 2008-2009 member assessments paid in advance.

Deferred revenue in the Statement of Net Assets consists of succeeding year contributions from public entity members received during the year which will not be recognized as revenue until the year for which it was assessed.

Compensated Absences – OCEDC employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned, retired or employment has terminated for another reason (which there was none). The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Trusts Payable – Trusts payable represents amounts due to others which are held in fiduciary capacities.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. The OCEDC Board annually adopts a budget on the modified accrual basis for the General Fund. The budget may be amended during the year. During the year ended June 30, 2008, the General Fund budget was not exceeded for expenditures; however, the amount budgeted for other financing uses (net) was exceeded during the fiscal year.

2) Cash and Certificates of Deposit

The OCEDC's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The OCEDC is authorized by statute and the OCEDC's written investment policy to invest public funds in certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the OCEDC's Board.

The OCEDC has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

3) Due from General Fund, Due from Agency Fund, Due from Primary Government, Due to Revolving Loan Fund, Due to Agency Fund, and Due to Primary Government

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Revolving Loan Fund	General Fund	\$ 1,443
Special Revenue: Revolving Loan Fund	Agency Fund: City of Sibley Revolving Loan	195
Agency Fund: Community Foundation of Osceola County	Special Revenue: Revolving Loan Fund	2,200
Total		<u>\$ 3,838</u>

The \$1,443 due to the Revolving Loan Fund from the General Fund is for Revolving Loan Fund revenue which was deposited into General Fund bank accounts by error. During the year ended June 30, 2007, the Community Foundation of Osceola County paid \$2,200 to the Revolving Loan Fund in error. This money is due back to the Community Foundation of Osceola County as this balance was not paid back during the fiscal year. The \$195 due to the Revolving Loan Fund from the City of Sibley Revolving Loan Fund represents accrued interest on a loan between the funds (see Note 5 for information on the loan).

4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Revolving Loan Fund	General	\$ 7,593
General	Special Revenue: Revolving Loan Fund	56,638
Total		<u>\$ 64,231</u>

The Revolving Loan Fund transferred \$7,593 to the General Fund during the fiscal year to be used for normal operations.

The Board approved the transfer of the certificates of deposit held in the General Fund into the Revolving Loan Fund. The amount of the certificates of deposit transferred was \$56,638.

5) Notes Receivable, Notes Receivable – Agency Fund, and Notes Receivable – Related Parties

A. Revolving Loan Fund

The OCEDC'S mission of implementing economic development projects within Osceola County is being accomplished by the lending of monies for various economic development projects at a reasonable rate of interest.

The notes issued carry an interest rate from 3% to 4.5%. The terms of notes vary from three years to five years, with some extensions granted for hardships that meet certain criteria. The amount shown on the statement of net assets as of June 30, 2008 reflects the amount due on those notes receivable as of that date and is computed as follows:

Balance on June 30, 2007 (\$532,115 less \$54,453 in Allowance for Doubtful Accounts)	\$ 477,662
New Notes Issued	140,000
Payments on Principal	(108,705)
Balance on June 30, 2008 (\$563,410 less \$54,453 in Allowance for Doubtful Accounts)	\$ 508,957
Less Portion Received by August 29, 2008	(12,009)
Non-Current Notes Receivable	\$ 496,948

The following are the scheduled amounts of notes receivable principal (net of allowance for doubtful accounts) coming due for the fiscal years ending:

June 30, 2009	\$ 74,846
June 30, 2010	100,369
June 30, 2011	120,948
June 30, 2012	86,324
June 30, 2013	4,423
June 30, 2014 and After	122,047
	<u>\$ 508,957</u>

Loans are carried as notes receivable until deemed uncollectible. During 2008, there was no note receivable formally written off. However, there is one \$54,453 note receivable which there is likelihood that the amount will be uncollectible due to bankruptcy. An allowance for doubtful accounts of \$54,453 was recorded as of June 30, 2007 for this note receivable and is still being recorded as of June 30, 2008.

During the year ended June 30, 2006, the City of Sibley Revolving Loan Fund (Agency Fund) entered into a loan agreement with the OCEDC through the Revolving Loan Fund for \$37,702. This note is scheduled to be paid back over 5 years at a 3% interest rate. The balance as of June 30, 2008 on this note was \$20,165 and is included in the above totals. This amount is reported separately in the financial statements as notes receivable – agency fund (related party).

During the year ended June 30, 2008, Osceola County (a member of the OCEDC; therefore, considered to be a related party) entered into a loan agreement with the OCEDC through the Revolving Loan Fund for \$140,000. This note is scheduled to be paid back quarterly based on a 25 year payback schedule with a balloon payment at the end of 10 years at a 4.5% interest rate. The balance as of June 30, 2008 on this note was \$138,982 and is included in the above totals. This amount is reported separately in the financial statements as notes receivable – related parties.

In August 2007, the OCEDC loaned \$36,000 to Osceola County to be used by the County to make the down payment on land purchased for economic development at a 0% interest rate. The loan was paid from the Revolving Loan Fund. The entire \$36,000 balance was paid in full in December 2007.

B. Spec Property Loan Fund

The notes issued through the Spec Property Loan Fund carry an interest rate of 0%. The terms of the notes run until the spec property is sold. Several of the notes receivable are with cities which are members of the OCEDC and are therefore considered to be with related parties. All notes receivable - related parties are considered non-current as of June 30, 2008.

The Spec Property Loan Fund also has a note receivable from the Sibley Chamber of Commerce. This note receivable balance is \$1,852 as of June 30, 2008 and is due in monthly installments of \$117. As of June 30, 2008, \$234 is considered currently available (received by August 29, 2008) and \$1,618 is considered non-current. Total annual payments due are as follows:

June 30, 2009	\$	1,404
June 30, 2010		448
	\$	<u>1,852</u>

C. City of Sibley Revolving Loan Fund

The amount shown on the Combining Statement of Fiduciary Assets and Liabilities as of June 30, 2008 reflects the amount due for notes receivable issued and outstanding as part of the City of Sibley Revolving Loan Fund. These notes carry interest rates of 4.5%. The following are the scheduled amounts of notes receivable principal coming due for the fiscal years ending:

June 30, 2009	\$	32,926
June 30, 2010		34,436
June 30, 2011		70,737
June 30, 2012		28,744
	\$	<u>166,843</u>

6) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Furniture and Fixtures	\$ 4,015	0	0	4,015
Computer Equipment	6,094	0	0	6,094
Other Equipment	525	460	(320)	665
Total Capital Assets	10,634	460	(320)	10,774
Less Accumulated Depreciation	7,241	1,336	(256)	8,321
Governmental Activities Capital Assets, Net	\$ 3,393	(876)	(64)	2,453

Depreciation expense of \$1,336 was charged to the Administration & General program.

7) Due to Other Governments

The OCEDC is acting as an agent for the City of Sibley's revolving loan program. The amount due to the City of Sibley as of June 30, 2008 was \$223,796. This amount is reported in the City of Sibley Revolving Loan Fund.

8) Changes in Compensated Absences (Long-Term Liability)

The only long-term liability during the year ended June 30, 2008 is for compensated absences. A summary of changes in compensated absences for the fiscal year ended June 30, 2008 is as follows:

	Compensated Absences
Balance – Beginning of Year	\$ 5,586
Increases	5,254
Decreases	(4,757)
Balance – End of Year	\$ 6,083

9) Pension and Retirement Benefits

The OCEDC contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the OCEDC is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The OCEDC's contributions to IPERS for the years ended June 30, 2008,

2007 and 2006 were \$4,139, \$3,780 and \$3,618, respectively, equal to the required contributions for each year.

10) Risk Management

The OCEDC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Surety bond and workers compensation related risks are covered by commercial insurance purchased from independent third parties. The OCEDC assumes liability for any deductibles and claims in excess of coverage limitations for surety bond and workers compensation related risks. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The OCEDC has not purchased any commercial insurance coverage and has not set aside any funds for the other possible risks of loss.

11) Deficit Fund Balance

The General Fund had a deficit fund balance of \$5,850 at June 30, 2008. The deficit was due to the operating transfer of certificates of deposit from the General Fund to the Revolving Loan Fund. In July 2008, the OCEDC received the first installment of its fiscal year end 2009 member assessments which eliminated the deficit subsequent to the fiscal year end. Additionally, the OCEDC will consider any potential shortfalls in the General Fund when requesting administrative fees from the Revolving Loan Fund to ensure the General Fund maintains a positive fund balance.

12) Subsequent Events

In August 2008, the Revolving Loan Fund issued a note receivable for \$13,848. This loan has a 4.5% interest rate and is payable based on a seven year payback schedule with a balloon payment due after five years.

In December 2008, the Revolving Loan Fund issued a note receivable for \$10,000. This loan has a 4.5% interest rate and is payable based on a ten year payback schedule with a balloon payment due after five years.

In February 2009, the Revolving Loan Fund issued a note receivable for \$100,000. This loan has a 4.5% interest rate and is to be paid back over seven years.

13) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Osceola County Economic Development Commission

Required Supplementary Information

**Osceola County Economic Development Commission
Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances–
Budget and Actual (Modified Accrual Basis) – General Fund
Required Supplementary Information
Year Ended June 30, 2008**

	Budgeted Amounts		Final to Actual Variance
	Actual	Original	
Revenues:			
Contributions from Public Entity			
Members (Related Parties)	\$ 92,238	96,852	(4,614)
Grants and Contributions	960	500	460
Interest Income – Banks	190	5,941	(5,751)
Total Revenues	93,388	103,293	(9,905)
Expenditures:			
Salaries	68,207	69,207	(1,000)
IPERS	4,139	3,979	160
Payroll Taxes	5,277	5,316	(39)
Employee Benefits	11,768	10,746	1,022
Workman's Compensation	643	867	(224)
Auto Allowance	2,400	2,400	0
Bond Insurance	433	434	(1)
Marketing	0	81	(81)
Miscellaneous	8	0	8
Newspaper Publishings	305	0	305
Office Expense	1,038	1,500	(462)
Postage	317	1,000	(683)
Professional Fees	7,005	6,000	1,005
Publications/Professional Dues	157	500	(343)
Special Projects	21	1,500	(1,479)
Tech and Website Management	852	1,500	(648)
Telephone	1,599	2,500	(901)
Travel and Meals	108	350	(242)
Total Expenditures	104,277	107,880	(3,603)
Deficiency of Revenues Under Expenditures	(10,889)	(4,587)	(6,302)
Other Financing Sources (Uses), Net	(49,045)	4,587	(53,632)
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	\$ (59,934)	0	(59,934)

See Accompanying Independent Auditor's Report.

Osceola County Economic Development Commission
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41. The OCEDC's Board annually adopts a budget for the General Fund on the modified accrual basis. The budget may be amended during the fiscal year with Board approval.

During the fiscal year, the OCEDC did not amend the General Fund budget.

During the year ended June 30, 2008, the Commission's expenditures did not exceed the amount budgeted in total; however, the amount transferred out of the General Fund exceeded the amount budgeted.

Osceola County Economic Development Commission
Other Supplementary Information

Osceola County Economic Development Commission
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2008

	City of Sibley Revolving Loan	ChatRoom	Community Foundation of Osceola County	Hawkeye Point Foundation	Total
Assets and Liabilities					
Balances Beginning of Year	\$ 246,951	7,303	20,696	0	274,950
Additions:					
Grants and Contributions	0	51	19,748	3,650	23,449
Chat Room Income	0	0	0	0	0
Loan Application and Documentation Fees	399	0	0	0	399
Interest Income	9,192	0	0	5	9,197
Miscellaneous/Trusts	0	0	0	0	0
Total Additions	9,591	51	19,748	3,655	33,045
Deductions:					
Agency Remittances:					
To Primary Government Funds	12,131	0	72	0	12,203
To Other Governments	254	0	0	0	254
Trusts Paid Out	0	1,137	20,092	0	21,229
Total Deductions	12,385	1,137	20,164	0	33,686
Balances End of Year	\$ 244,157	6,217	20,280	3,655	274,309

See Accompanying Independent Auditor's Report.

Osceola County Economic Development Commission

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Officials/Members of the Osceola County Economic Development Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Osceola County Economic Development Commission (OCEDC) as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements listed in the table of contents, and have issued our report thereon dated June 12, 2009. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the OCEDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the OCEDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OCEDC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the OCEDC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the OCEDC's financial statements that is more than inconsequential will not be prevented or detected by the OCEDC's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the OCEDC's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 08-A, B, C, D, E, G and H are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OCEDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the fiscal year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The OCEDC's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the OCEDC's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials/members and citizens of members of the Osceola County Economic Development Commission and other parties to whom the OCEDC may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the OCEDC during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

De Noble & Company PC

De Noble & Company PC
Certified Public Accountants

June 12, 2009

Osceola County Economic Development Commission
Schedule of Findings
For The Fiscal Year Ended June 30, 2008

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

08-A Segregation of Duties – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from individual error or dishonesty and therefore maximizes the accuracy of the OCEDC's financial statements. We noted that generally the administrative assistant performs all recordkeeping functions and handles all cash. Financial duties are not rotated at any time during the year. Additionally, this individual was also an authorized signer on several of the OCEDC's bank accounts.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the OCEDC should review its operating procedures to obtain the maximum internal control possible under the circumstances. At a minimum, a member of the Board should review financial transactions, reconciliations and reports. Such reviews should be evidenced by initials or signature of the reviewers and the dates of the reviews. Also, the administrative assistant should be removed as an authorized signer and financial duties should be rotated for a period of time during the year.

Response – We will investigate this and attempt to segregate duties when possible by utilizing existing personnel and independent persons to provide additional control through review of financial transactions and reports. Additionally, the administrative assistant has subsequently been removed as an authorized check signer.

Conclusion – Response accepted. It is important you attempt to implement this recommendation.

08-B Payroll Issues – During our audit, we noted that the OCEDC's employees do not complete timesheets and did not keep track of vacation or sick leave earned and used during a portion of the year.

Recommendation – The OCEDC should implement procedures for employees to track hours worked and compensated absences used. Compensated absences should be earned and taken in accordance with an established written personnel policy.

Response – All OCEDC employees are paid a set salaried amount so we do not feel a daily accounting of hours worked is necessary. As of January 2008, the tracking of compensated absences has been implemented.

Conclusion – Response accepted. However, timesheets provide support for compensated absences taken and can be used by the Board as an analysis tool.

Osceola County Economic Development Commission
Schedule of Findings
For The Fiscal Year Ended June 30, 2008

08-C Written Personnel Policy – The OCEDC does not have a written personnel policy. Such a policy is important to communicate the employees' rights and responsibilities of employment. An employee handbook would detail policies such as expected hours of work, list of paid holidays, employee benefits (insurance, paid vacation and compensation time), conflict of interest issues, code of conduct, expense reimbursements, and other rights of employment.

Recommendation – We recommend the OCEDC prepare and implement a detailed written personnel policy.

Response – We will address this issue. We will work on preparing and approving a personnel policy for the OCEDC.

Conclusion – Response accepted.

08-D Written Disaster Recovery Plan – The OCEDC does not have a written disaster recovery plan. Also, the OCEDC does not have any standard policies or procedures regarding storage of manual records at an off-site location.

Recommendation – A written disaster plan should be considered and adopted. Sensitive/important manual records should be evaluated for needed protection and stored at an off-site location.

Response – We will attempt to implement this recommendation.

Conclusion – Response accepted.

08-E Bank Signature Cards – There are a couple of the OCEDC's bank accounts which have authorized signers' lists that include individuals who are no longer authorized to make disbursements.

Recommendation – The OCEDC needs to correct the authorized bank accounts signers' lists to allow only eligible current officials to make transactions. Procedures need to be established to ensure that individuals who are no longer authorized to make financial transactions are immediately removed from all authorized signers' lists and that the new individuals are properly authorized to do so on the signers' lists.

Response – We have subsequently implemented this recommendation.

Conclusion – Response accepted.

Osceola County Economic Development Commission
Schedule of Findings
For The Fiscal Year Ended June 30, 2008

08-F Invoices – We noted two employee meal reimbursements which had no supporting detailed receipts.

Recommendation – All employee reimbursements or charges for meals should be supported by an actual receipt that supports the charge in detail. The supporting documentation should be retained and kept on file.

Response – We will attempt to retain supporting documentation for all payments.

Conclusion – Response accepted.

08-G Insurance Coverage – The OCEDC only carries commercial insurance for surety bond and workers compensation coverage. The OCEDC has not purchased any additional commercial insurance coverage (directors, liability, etc.) and has not set aside any funds for possible risks of loss the OCEDC is exposed to.

Recommendation – The OCEDC needs to formally review its insurance coverage to ensure that the types and amounts of insurance coverages are adequate for current operations.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted

08-H Financial Reporting – During the audit, we identified material amounts of assets, liabilities, net assets/fund balances, revenues/receipts, expenses/expenditures and operating transfers not recorded properly in the OCEDC's financial statements. Adjustments were subsequently made by the OCEDC to properly include these amounts in the financial statements.

Recommendation – The OCEDC should implement procedures to ensure all assets, liabilities, net assets/fund balances, revenues/receipts, expenses/expenditures and operating transfers are identified and included in the OCEDC's financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will review our procedures to identify areas where we can improve on our financial records.

Conclusion – Response accepted.

**Osceola County Economic Development Commission
Schedule of Findings
For The Fiscal Year Ended June 30, 2008**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Osceola County Economic Development Commission
Schedule of Findings
For The Fiscal Year Ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- 08-1 Certified Budget – The OCEDC prepares a budget for the General Fund only. Expenditures did not exceed the budget in total for the year ended June 30, 2008. However, the amount budgeted for other financing uses (net) was exceeded during the fiscal year.

Recommendation – The budget should have been amended by the Board before the other financing uses (net) was allowed to exceed the amount budgeted. The other financing uses (net) was exceeded due to the operating transfer of certificates of deposit from the General Fund to the Revolving Loan Fund not being budgeted.

Response – We will implement your recommendation.

Conclusion – Response accepted.

- 08-2 Questionable Expenditures – A certain expenditure we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. This expenditure is detailed as follows:

During the fiscal year, the OCEDC paid \$21 for a plaque for a board member.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The OCEDC's Board should determine and document the public purpose served by this expenditure before authorizing any further payments. If this practice is continued, the OCEDC should establish written policies and procedures, including requirements for proper documentation.

Response – We will address your recommendation and take appropriate action.

Conclusion – Response accepted.

- 08-3 Travel Expense – No expenditures of OCEDC money for travel expenses of spouses of OCEDC officials or employees were noted.

- 08-4 Business Transactions – No business transactions between the OCEDC and OCEDC officials or employees were noted.

Osceola County Economic Development Commission
Schedule of Findings
For The Fiscal Year Ended June 30, 2008

08-5 Bond Coverage – Surety bond coverage of OCEDC officials and employees is maintained. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

08-6 Board Minutes – In accordance with Senate File 2410, effective July 1, 2006, all 28E Organizations are subject to the Open Meetings Law and Public Records Law. Prior to January 2008, the listing of the claims paid excluded certain payments which were required to be published. The excluded claims were for expense reimbursements paid to employees and payroll expenses/withholdings for state and federal taxes, IPERS, and health insurance. Additionally, prior to January 2008, the OCEDC posted the agenda for Board meetings in its office but not always in a readily accessible area.

During the year ended June 30, 2008, there were two transfers totaling \$7,593 from the Revolving Loan Fund into the General Fund which were not formally documented as being approved by the Board of Directors in the Board minutes.

The OCEDC assisted the City of Ocheyedon with administering a grant from the USDA for high-speed internet. The OCEDC was to receive an administration fee for administering the grant. As of June 30, 2008, there was \$2,038 in charges that the OCEDC does not expect to collect and has never included these charges as revenue on the OCEDC's financial records. There has not been a motion to stop collections on this balance or to exclude this revenue from the financial records.

Recommendations – The OCEDC should publish all required information in accordance with Senate File 2410. Additionally, the agenda should be posted in an area more accessible to the public. The Board needs to approve all interfund transfers in the minutes prior to amounts being transferred. The OCEDC's Board also needs to formally approve in the minutes when it is no longer necessary to seek collection on a receivable.

Response – We will work toward implementing these recommendations regarding the Board meetings/minutes. We will post the agenda of the Board meeting on the Courthouses' entry way bulletin board. We will review Senate File 2410 and implement in accordance with our interpretation of the law. In the future, the Board will approve in the Board minutes all interfund transfers by motion. Also, a motion will be made in the Board minutes regarding the City of Ocheyedon receivable and any other future receivables considered forgivable.

Conclusion – Response accepted. Please attempt to implement all of these recommendations.

08-7 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the OCEDC's investment policy were noted.

Osceola County Economic Development Commission
Schedule of Findings
For The Fiscal Year Ended June 30, 2008

- 08-8 Financial Condition – The General Fund had a deficit fund balance at June 30, 2008 of \$5,850.
- Recommendation – The OCEDC should investigate alternatives to eliminate this deficit fund balance in order to return this fund to a sound financial position.
- Response – In July 2008, the OCEDC received the first installment of its fiscal year end 2009 member assessments which eliminated the deficit subsequent to the fiscal year end. Additionally, the OCEDC will consider any potential shortfalls in the General Fund when requesting administrative fees from the Revolving Loan Fund to ensure the General Fund maintains a positive fund balance.
- Conclusion – Response Accepted.

Osceola County Economic Development Commission

Staff

This audit was performed by:

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De Noble & Company PC
Certified Public Accountants